



## The Pakistan Credit Rating Agency Limited

### Rating Report

## JS Investments Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
06-Aug-2022	AM2	-	Positive	Maintain	-
09-Aug-2021	AM2	-	Stable	Maintain	-
01-Sep-2020	AM2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The assigned rating reflects modest positioning of JS Investments Limited (“JSIL” or the “Company”) in the competitive asset management industry. The rating incorporates sound governance framework, experienced management team, adequate investment decision-making process, and satisfactory control infrastructure. The research and investment functions of the company are considered adequate. The AUMs of JSIL was around PKR 27.5bln as on end-Jun'22 (Jun'21: PKR 17.6bln) mainly due to significant growth in JS Cash Fund. Consequently, the market share increased to 2.2% (Jun'21: 1.7%). JSIL has an adequate fund slate to cater to the needs of conventional and Shariah-focused clientele. The Company has recently launched a unique fund "JS Microfinance Sector Fund" to serve to cater the growing microfinance needs of individuals. The overall fund performance remained satisfactory. While Shariah Compliant Income and Money Market and Conventional Money Market comfortably exceeded both the industry average and benchmarks. Furthermore, the Company has also expanded its product slate by launching JS Momentum Sector Fund and JS Rental REIT Scheme.

On financial side, the management fee of the JSIL has reported a loss of PKR 50mln for 1QCY22 (CY21: PKR -300mln). The equity stood at PKR 1.4bln at year-end-Mar'22, which is well above the minimum capital requirement of PKR 230mln. Recently, the subsidiary Company "JSIL-RMC" of JSIL launched a rental REIT Scheme, which would further strengthen the management fee of JSIL. On the digital side, JS Bank's novel product "Zindagi" has also supported the Company to engrave its footprints in digitalization. Furthermore, the Company has also launched digital account opening process. The rating incorporates the Company's association with JS Bank Limited and potential synergies due to established presence of JS Group in the financial sector.

The rating is dependent on the management's ability to effectively execute business development plans and leveraging its digital initiatives to strengthen its operations and outreach. Sustaining above average fund performance, increasing market share and further strengthening investment process remains key rating factors.

#### Disclosure

<b>Name of Rated Entity</b>	JS Investments Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Assessment Framework   Asset Manager Rating(Jun-22),Mehtodology   Rating Modifiers(Jun-22)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-22)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** JS Investments Limited (“JSIL” or the “Company”) is a public listed company incorporated in 1995. JSIL is licensed to carry out asset management, investment advisory, private equity, venture capital and REIT management services.

**Background** JSIL is founded by IFC and INVESCO Plc, providing a wide range of mutual funds and pension funds both in Conventional and Shariah Compliant Category along with SMA services to HNWI individuals and corporate clients.

**Market Share** The industry comprises AUMs of PKR 1,252,723mln at end Jun’22 and JSIL had AUMs of PKR 27597mln - 2.2% of total market share (FY21: 1.7%).

**Diversification Of Fund Mix** JSIL is currently managing a diverse product slate of thirteen funds in eleven different Conventional and Shariah Compliant Categories, three voluntary pension schemes, one Exchange Traded Fund and one dedicated equity fund. In Jan’22 JS Momentum factor exchange traded fund was launched and in Jun’22 JS Microfinance Sector Fund was introduced. The Company launched the first closed-end Rental Non-PPP REIT Fund “JS REIT Fund” during Jun’22 with fund size at PKR 5bln.

**Investor Concentration** Average top 10 investor concentration at fund level remains high and stood at 62% at end-Jun’22 with average related party holding of 12.1%.

## Ownership

**Ownership Structure** JSIL is a subsidiary of JS Bank Limited with ~85% stake, while remaining shares are held by financial institutions and general public.

**Business Acumen** JS Bank Limited is a subsidiary (~75%) of Jahangir Siddiqui & Co. Limited (JSCL). The business acumen of the bank is considered strong. JSCL is the holding company for JS Group. JS Group is engaged in a diverse set of activities with its focus on the financial sector, including asset management, securities, and commodities brokerage, commercial banking, and insurance. Besides its concentration in the financial sector.

**Financial Strength** JS Bank Limited has an unconsolidated asset base of PKR 610bln at end-Mar’22 accompanied by equity of PKR 21.6bln. The long-term credit rating of JS Bank is ‘AA-’ and the short-term rating is ‘A1+’.

## Governance

**Board Structure** JSIL’s control vests in seven-member board of directors including the CEO. There are two independent directors while all other directors except the CEO are non-executive.

**Members’ Profile** The board carries diversified experience (23 Years on average) in different business areas, especially in banking and investment management. The board members possess strong profile and skills suited to the financial services industry.

**Board Effectiveness** To ensure an effective control environment and compliance with reporting standards, JSIL has constituted an Audit Committee, HR Committee and Executive Risk Management Committee at board level.

**Transparency** JSIL has outsourced its internal audit department to M/S BDO Ebrahim & Co. for effective monitoring of control systems. The external auditors of the Company are M/S KPMG Taseer Hadi & Co. They have a satisfactory QCR rating and are classified in the ‘A’ category of SBP Panel of Auditors.

## Management

**Organizational Structure** JSIL has a well-defined organizational structure based on eight departments, i) HR and Administration, ii) Compliance and Risk Management, iii) Business Development, iv) Investments and Research, v) Information Technology, vi) Finance, vii) Internal Audit and viii) Operations.

**Management Team** The management team of JSIL comprises of experienced and qualified professionals. Ms. Iffat Zehra Mankani is the CEO of JSIL since April 2021. She is a veteran of financial industry with over 20 years of experience in capital markets. Syed Hussain Haider (MBA , CFA Charterholder & CSC) replaced Mr. Zahid Ullah Khan as the new Chief Investment Officer.

**Technology Infrastructure** JSIL has implemented a Unit Management System (web-based application) and ERP Application (portfolio accounting system) by Softech Systems Private Limited. The IT department has formulated an IT Steering Committee which comprises four members to make timely decisions on IT issues. The Company is focusing on strengthening its technological platform to enhance its outreach and improve customer services.

**Control Environment** The compliance and risk management department is being led by Mr. Malik Zafar Javaid. The department ensures compliance with all applicable statutory regulations and internal investment guidelines. Segregation of these functions, in line with best practices, along with minimizing overlap in others is important to strengthen the control environment. The Company is working to fortify its KYC/AML practices.

## Investment Risk Management

**Credit Risk** The Risk Management Department measures credit risk of the entire portfolio as well as of individual transactions. Excel based credit risk scorecards are being used to provide statistical estimates for counter party credit risk.

**Liquidity Profile** The department ensures sufficient liquidity by investing in liquid avenues. Internally designed methods are used to classify stocks into liquid/semi liquid/IL-liquid categories. Further, it is also ensured that minimum cash and cash equivalent requirements are maintained at all times to fulfill payment obligations.

**Market Risk** For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits applicable to interest-bearing securities are regularly reviewed and reported to the management.

## Portfolio Management

**IC Composition** The investment decision making process is well-structured with the CEO providing critical support. The members of investment committee also include the CIO, Director Finance and Fund Managers.

**Effectiveness** The investment committee reviews the investment strategy of each fund under management and its performance on regular basis to incorporate the impact of various factors on funds’ performance. Induction of independent research head has further enhanced effectiveness.

**Investment Research And Analysis** The research department, which falls under the purview of CIO, is headed by Mr. Aijaz Ali. He possesses years of experience in equity research. Currently, his team comprises two qualified research analysts and a database manager.

## Customer Relationship

**Investor Services** JSIL has an established investor services platform for investor education and facilitation. The customers are provided SMS and e-mail alerts for transactions, NAV prices, and other promotional alerts along with monthly detailed E-statements. The mobile app of the company provides various value-added services such as live news and financial market updates, equity market indices, investment account details and E-transactions.

**Investor Reporting** JSIL disseminates unit holder statement on monthly basis, which comprises monthly NAVs, benchmark return comparisons and asset allocations. JSIL publishes FMRs on its website in a timely manner.

**Distribution And Sales Network** Currently, JS Bank - the parent company, is the only alternate distribution partner of JS Investments Limited by providing a separate desk in each bank branch for the investment company. JSIL is expanding outreach by using digital platforms of JS Bank like “Zindagi APP” with a greater focus towards enhancing the retail clientele.

## Performance

**Asset Under Management** The AUMs at end-Jun’22 amounted to PKR 27,597mln with a market share of 2.2% (an increase of 29.4% since Jun’21). The management is working on various initiatives and overall fund performance remained satisfactory, where Money Market and Shariah Compliant Income comfortably exceeded the benchmarks.

**Asset Manager** The Company reported net loss of PKR 50mln in 1QCY22 (CY21: PKR -300mln). The loss is primarily attributable to deficit on revaluation of investments. The equity stood at PKR 1.455mln at end-Mar’22, which is well above the minimum capital requirement of PKR 230mln.

Fund's Performance | JS Investments Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mn)			Return   Rolling 12 Months (Mar'21-Mar'22)					Return   FY21				
				Mar-22	Dec-21	Jun-21	Return	Bch. Mark	Industry Average	Fund vs. Bmark	Fund vs. Ind. Avg.	Fund	Bch. Mark	Industry Average	Fund vs. Bmark	Fund vs. Ind. Avg.
1	JS Cash Fund	Money Market	57.2%	12,302	12,564	4,451	9.1%	8.1%	8.0%	1.0%	1.1%	8.0%	7.3%	7.0%	0.7%	1.1%
2	JS Growth Fund *	Equity	10.2%	2,200	2,380	1,791	-9.1%	1.1%	-7.2%	-10.2%	-2.0%	-7.7%	2.9%	2.4%	-10.7%	-10.1%
3	JS Islamic Income Fund	Shariah Compliant Income	8.5%	1,833	1,841	2,599	8.4%	3.2%	8.0%	5.2%	0.4%	7.9%	3.2%	7.0%	4.7%	0.9%
4	JS Income Fund	Income	9.1%	1,947	1,667	1,925	8.8%	9.1%	8.2%	-0.3%	0.6%	8.5%	8.2%	7.4%	0.3%	1.1%
5	Unit Trust of Pakistan	Balanced	4.7%	1,011	1,025	1,101	-3.4%	2.8%	-2.2%	-6.2%	-1.2%	-1.8%	4.2%	1.7%	-5.9%	-3.4%
6	JS Islamic Daily Dividend Fund	Shariah Compliant Money Market	0.1%	18	507	1,419	7.8%	3.4%	7.0%	4.4%	0.8%	7.0%	3.2%	5.7%	3.8%	1.3%
7	JS Large Cap Fund	Equity	1.8%	397	421	478	-7.2%	1.1%	-7.2%	-8.2%	0.0%	-5.1%	2.9%	2.4%	-8.1%	-7.5%
8	JS Islamic Fund	Shariah Compliant Equity	1.8%	391	419	491	-9.3%	-0.2%	-9.4%	-9.1%	0.1%	8.5%	8.2%	-1.3%	0.3%	9.7%
9	JS Islamic Hybrid Fund of Funds (JS Islamic Capital Preservation Allocation Plan VIII)	Shariah Compliant Fund of Funds - CPPI	1.5%	317	372	437	3.1%	2.8%	1.5%	0.3%	1.5%	3.3%	2.3%	3.1%	1.0%	0.2%
10	JS Fund of Funds	Fund of Funds	0.0%			297			1.5%	0.0%	-1.5%	-7.0%	2.4%	1.5%	-9.5%	-8.6%
11	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.5%	111	128	348	1.6%	2.0%	1.5%	-0.4%	0.1%	0.3%	1.7%	3.1%	-1.4%	-2.8%
12	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VI)	Shariah Compliant Fund of Funds - CPPI	0.5%	98	123	415	3.5%	2.1%	1.5%	1.3%	1.9%	0.3%	1.7%	3.1%	-1.4%	-2.8%
13	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan IX)	Shariah Compliant Fund of Funds - CPPI	0.0%			105	0.7%	2.2%	1.5%	-1.5%	-0.8%	1.5%	3.1%	3.1%	-1.6%	-1.6%
14	JS Islamic Hybrid Fund of Funds (Mutasabib)	Shariah Compliant Fund of Funds	0.0%	9	9	11	-15.5%	0.0%	5.7%	-15.4%	-21.2%	-10.7%	0.9%	9.7%	-11.6%	-20.4%
15	JS Value Fund *	Equity	0.0%			726				0.0%	0.0%				0.0%	0.0%
16	JS Islamic Hybrid Fund of Funds (Mufeed)	Shariah Compliant Fund of Funds	0.0%			4.1				0.0%	0.0%				0.0%	0.0%
17	JS Islamic Hybrid Fund of Funds (Mustahkem)	Shariah Compliant Fund of Funds	0.0%			0.29				0.0%	0.0%				0.0%	0.0%
22	ETF	ETF	0.1%	12												
24	VPS	VPS	4.0%	850	992	1,017				-	-				-	-
Sum/Average:			100%	21,494	22,448	17,616										

\*\*\*Plan has been matured

**Asset Manager Rating**

An independent opinion on the quality and expertise deployed by an asset management company

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
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- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

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